

U.S. Embassy - Skopje

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FORMER SFRY SUCCESSORS AGREE ON DIVISION OF GOLD

The Board for dividing of the former SFRY property and obligations agreed in Zagreb on division of the gold of the National Bank of Yugoslavia (NBJ), deposited in Zurich-based Credit Swiss Bank, Paris-based French Bank, as well as NBJ gold that was earlier in possession of the French, British and US Committee on Gold.

The Croatian National Bank said that 8.5 tones of gold, worth about US\$ 107 million, would be divided among the successor countries in compliance with the formula set in the Agreement on Succession Issues. According to the document, Macedonia will get 7.5 percent, Serbia/Montenegro - 38 percent, Croatia - 23 percent, Bosnia/Herzegovina - 15.5 and Slovenia - 16 percent.

The Financial Committee is expected to meet again in Skopje, with an intention to discuss the division of former Yugoslav foreign exchange deposits in the commercial banks based in Europe. They are valued at US\$ 220 million, and according to IMF's allotment key, Macedonia should expect additional US\$ 16.5 million to be deposited at a special account in the National Bank of Macedonia.

FINANCIAL POLICE FINALLY GETS NEW DIRECTOR

The GOM has appointed Liljana Arsovska a new Director of the Financial Police. She assumes office from the position of counselor inspector in the Large Taxpayers Department within the Public Revenue Office. The position of financial police director has been vacant for almost a year. The financial police was created in June 2003 and its first director was dismissed two months later.

LNM PAYS OFF DEBTS TO MACEDONIAN CREDITORS

The Indian investor, LNM, or rather Lakshmi Mital's firm Ispat, asked the GOM to grant Cold Mill and Polukonti the status of free economic zone. The Indian investors' priorities comprise of lifting the bank account blockade imposed by the Macedonian Customs Administration,

priority in the settlement of obligations to consignment of goods, qualification of former VAT obligations, urgent clear off towards the reception of the EUR 1 certificate and granting the status of free economic zone.

Submitting their plan for restarting Cold Mill, the Indians declare their readiness to produce 40 thousand tons steel products in the first four months. Meanwhile, the Indian investors initiated negotiations for financial payoff of Macedonian creditors. They partially settled the debts the former leadership incurred with the Electrical Power Company of Macedonia, disbursing 850 thousand euro of the 3 million euro total.

The remaining part will be paid off in 18 monthly installments. According to sources from the Customs Administration, Ispat paid off its 4 million euro debt to the Customs Administration, the 5.3 million euro debt to the greatest creditor Komercijalna Banka, as well as the debts to Stopanska Banka - Bitola and Ohridska Banka.

WORLD BANK TO FUND CONSULTING FOR POWER PROJECT IN MACEDONIA

The World Bank will finance the economic, legal and technical consulting for the selection of contractor to build a gas-fired heating and power generation plant in Macedonia estimated to cost over 130 million euro (US\$ 156 million), the Ministry of Economy said.

World Bank-hired independent expert in charge of the project, Darko Madzarovski, told SeeNews that the procedures for selection of a consultant, as well as the tender itself would comply with the World Bank standards and will be as transparent as possible. The selection of a consultant is expected shortly and according to the Ministry of Economy' spokesman Goce Pacemski, all preparations for opening a tender would be over by September 2004.

"The gas-fired station will be 100 percent privately owned and it would have nothing to do with the Macedonian power monopoly ESM," said Pacemski.

GOVERNOR GOSEV ESTABLISHES COUNCIL OF EXPERTS

Macedonian National Bank Governor Petar Gosev passed a decision to establish a Council of Experts, comprised of external collaborators, who along with National Bank experts will work on the preparation of experts' analysis and opinions in the field of monetary policy. The

Council includes professor Ivan Ribnikar of Ljubljana Faculty of Economy, Velimir Bole of Ljubljana Economic Institute, academic Taki Fiti of Skopje Faculty of Economy, professor Vladimir Kandikjan of Skopje Law Faculty, professor Goce Petrevski of Skopje Faculty of Economy, and docent Vladimir Filipovski of Skopje Faculty of Economy.

FINANCIAL AGREEMENT FOR CARDS 2004 SIGNED

Macedonian Vice-Premier Radmila Sekerinska and Head of the European Commission Delegation to Macedonia Donato Chiarini signed a Financial Agreement for CARDS (Community Assistance for Reconstruction, Development and Stabilization) Annual Action Program 2004.

Sekerinska stated that the European Commission would donate Euro 47 million to Macedonia, aimed at implementing the reforms in areas preferential for the country's accession to EU. She pointed out that this year Action Program would be focused on four key areas - Democracy and the Rule of Law, Economic and Social Development, Judiciary and Internal Affairs, Environment and Natural Resources.

"A total of Euro 17 million will be allocated to Justice and Home Affairs, which continue to be the priority sphere for Macedonia's EU membership, Euro 11.5 million of this amount will be aimed for the border management project," Sekerinska added. In the frameworks of the annual CARDS Program, additional Euro three million will be allocated to Democracy and the Rule of Law, especially for promotion of interethnic relations, Euro two million for the Environment and Natural Resources, Euro three million for TEMPUS program and Euro 8.5 million for local infrastructure development.

Sekerinska informed that additional finances from Thessaloniki Summit, granted to Macedonia last year, were included in this program. The Annual Action Program derives from the National Strategic Document 2002-2006 and the Indicative Program 2002-2004, in which the European Commission, in cooperation with the Macedonian Government coordinated the priorities and finances.

MACEDONIA ANTI-MONEY LAUNDERING BODY JOINS EGMONT GROUP

The Macedonian Directorate for Money Laundering Prevention (DMLP) has announced on June 24 it had joined the EGMONT group of financial intelligence units, set up to facilitate international fight against money

laundering. "The admission to the group would allow access to money laundering information from 94 EGMONT member states," DMLP Director Vlado Naumovski told TV A1. He added that Macedonia's capacities to deal with money laundering had been thoroughly analysed and that according to EGMONT group officials the country had made an important step in the global fight against the crime.

"The chances Macedonia to become a centre of money laundering in Southeast Europe are reduced by its membership in EGMONT," said Naumovski. Local media speculated that Macedonia could become a major destination for money laundering after Cyprus, a significant offshore tax and banking haven in the region, entered the European Union on May 1, 2004.

DMLP is an independent body, headed by former Director of Macedonian Bank for Development Promotion Vlado Naumovski. The finance committee of the Macedonian Parliament has recently given green light to a bill against money laundering, which envisages a ban on cash transactions of over 15,000 euro. All transactions over this limit should be carried out through banks.

Under the bill, DMLP will be allowed to block all transactions on suspicions of money laundering or any terrorist activity. The country's anti-money laundering legislation, adopted in 2001, has so far proven inefficient, Deputy Minister of Finance Dimko Kokaroski said earlier this year.

FLOODS CAUSE 3 MILLION EURO DAMAGE TO FARMERS IN MACEDONIA

Utrinski Vesnik daily said that according to preliminary estimates recent floods in Macedonia's main farming regions have caused 3 million euros (US\$ 3.65 million) worth of damage to the agricultural sector. Prof. Danail Jankulovski of Skopje University Faculty of Agriculture said he was optimistic that farmers would have time for a new sowing.

Heavy rains in the southeast of the country in early June caused devastating floods in the lowlands of Gevgelija, Valandovo, Bogdanci, Dojran, but also in Tetovo. Up to 213 liters per square meter of rainfall was recorded within 24 hours. Over 1,500 houses, 150 other buildings and 16,000 hectares of arable land have been damaged in southeastern Macedonia, according to preliminary estimates broadcast by TV channel A1.

The GOM said it would allocate about 1.1 million euros from the state budget to support the flooded regions. Additional funds will be raised through re-location of the budgets of all ministries. Floods disrupted railway traffic, including international traffic to neighboring Greece, and ruined bridges.

NEW TENDER FOR SASA, ZLETOVO AND TORANICA

The third international tender for sale of lead and zinc mines Sasa, Zletovo and Toranica, was announced on June 18 and will be closed on July 19. In accordance with the recommendations given by the Ministry of Economy and World Bank's FESAL 2 arrangement, the Creditors' Assembly already accepted the sale rules and established the tender criteria. Under the new tender rules, the price bid will have the greatest influence over the ranking of potential buyers. It will carry 70 points, while the investment plans, restarting period and number of employed workers will carry 10 points each.

CITY TRADE CENTER SOLD FOLLOWING COMBINED MODEL

The City Trade Center (GTC) will be sold shop by shop, whereby the renters will receive a discount coupled with an obligation to buy shares from the joint-stock company created with an intention to manage the common premises in the trade center. According to Al Television, this is the synthesis of the compromise reached by the two sides within the Government, which were arguing about the GTC's sale model.

"The premises will be primarily offered to the lodgers. If they fail to pay them in a period of 60 days, the shops will be auctioned. Since there are common premises, such as elevators, heating utilities and others, a joint-stock company will be created, where the shop dwellers will be able to buy shares," Stevco Jakimovski, Minister of Economy, announced.

The management of the Public Enterprise for Managing Housing and Business Premises pushed for selling GTC through shares, claiming this model would be more profitable for the state. Jakimovski rejected this suggestion, evaluating it as futuristic and non-resistant to abuses. The final model is actually a combination of the suggestions favored by the two opposing sides.